JUN 5 1950
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

October Term, 1949

No. 113

CHICAGO PNEUMATIC TOOL COMPANY,
Petitioner,

vs.

HUGHES TOOL COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

FLOYD H. CREWS,
405 Lexington Avenue,
New York 17, N. Y.,
Attorney for Petitioner.

DARBY & DARBY,
HARVEY W. MORTIMER,
405 Lexington Avenue,
New York 17, N. Y.,

RAYMOND G. MULLEE,
8 East 44th Street,
New York 17, N. Y.,
Of Counsel.

INDEX

PAGE

Petition for Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit and Brief in Support Thereof 1

Summary and Short Statement of the Subject Matter Involved 2

Statement of Jurisdiction 5

The Questions Presented 5

Reasons Relied on for the Allowance of the Writ 6

Brief in Support of Petition for Writ of Certiorari 7

Opinions of the Courts Below 7

Statement of Jurisdiction 7

Statement of the Case 7

Specification of Errors 7

Summary of Argument 7

POINT I—The Court below has decided an important question of Federal law which has not been, but should be, settled by this Court 8

POINT II—The Court below has rendered a decision in conflict with the decisions of other Circuit Courts of Appeals 12

The Scope of Review 16

Conclusion 17

Appendix (Opinion) 18

List of Cases

PAGE

Berliner Gramophone Co. v. Seaman, 113 F. 750 13

Bliss v. Cold Metal Process Co., 102 F. (2d) 105 14

Cresta Blanca Wine Company, Inc. v. Eastern Wine Corporation, 143 F. (2d) 1012 13

Crosley Corporation v. Hazeltine Corporation, 122 F. (2d) 925 13

Crosley Corporation v. Westinghouse Elec. & Mfg. Corp., 130 F. (2d) 474 13

Denver v. New York Trust Co., 229 U. S. 123 17

E. I. DuPont DeNemours & Co. v. Byrnes, 101 F. (2d) 14 16

Dwinell-Wright Co. v. National Fruit Products Company, Inc., 129 F. (2d) 848 14

Franklin Life Insurance Co. v. Johnson, 157 F. (2d) 653 14

Georgia Power Co. v. Tennessee Valley Authority, 89 F. (2d) 218 13

Harriman v. Northern Securities Co., 197 U. S. 244 17

Hughes Tool Company v. D. B. Cole, 623 O. G. 321 11

Hughes Tool Company v. B. F. Conaghan, 623 O. G. 321 11

Hughes Tool Company v. R. W. Ford, 623 O. G. 321 11

Hughes Tool Company v. Owen, et al., 39 F. S. 656 11

Hughes Tool Company v. B. F. Shedd, 623 O. G. 321 11

Hughes Tool Company v. United Machine Company, 35 F. S. 879 10

Hughes Tool Company v. Williams Iron Works, 109 F. (2d) 500, 82 F. S. 408 ..... 10, 11

PAGE

Katzinger v. Chicago Metallic Mfg. Co., 329 U. S. 394 ... 8

Lances, et al. v. Letz, 115 F. (2d) 916 ... 15

Leach v. Ross Heater & Mfg. Co., 104 F. (2d) 88 ... 16

Mast, F. & Co. v. Stover Mfg. Co., 177 U. S. 485 ... 17

Mecanno v. Wanamaker, 253 U. S. 136 ... 17

Mercoid Corp. v. Mid-Continent Investment Co., 320 U. S. 661 ... 8

Milwaukee Gas Specialty Co. v. Mercoid Corporation, 104 F. (2d) 589 ... 13

Mitchell & Weber, Inc. v. Williamsbridge Mills, 14 F. Supp. 954 ... 16

Outboard Marine & Motor v. Muncie Gear Works, 315 U. S. 759 ... 9

Pope v. Gormully, 144 U. S. 224 ... 8

Robertson Rock Bit Co. v. Hughes Tool Co., 80 F. Supp. 809; 176 F. (2d) 783; No. 486 in Supreme Court on Petition for Rehearing of Denial of Writ of Certiorari ... 4, 11

Schriber-Schroth v. Cleveland Trust Company, 305 U. S. 47 ... 9

Smith v. Vulcan Iron Works, 165 U. S. 518 ... 17

Speed Products Co. v. Tinnerman Products, 171 F. (2d) 727 ... 13

Triangle Conduit & Cable Company v. National Electric Products Corp., 125 F. (2d) 1008 ... 13

United States Fidelity & G. Co. v. Bray, 225 U. S. 205 ... 17

Williams Iron Works v. Hughes Tool Co., 109 F. (2d) 500 ... 4

Zenie Bros. v. Miskend, 10 F. Supp. 779 ... 16

List of Authorities

PAGE

Borchard, Declaratory Judgments, 9 Brooklyn L. Rev. 1, 30, 1939 16

Declaratory Judgment Statute, 28 U. S. C. A., Sec. 400 15

Federal Rule of Civil Procedure 57, 28 U. S. C. A., following Sec. 723c 15

Judicial Code, Section 129 17

Transfer Statute, 38 U. S. C. 1404(a) 10

45 Yale L. J. 160, 1935, 1287, 1936 16

IN THE

Supreme Court of the United States

October Term, 1949

No. ....

CHICAGO PNEUMATIC TOOL COMPANY,
Petitioner,

vs.

HUGHES TOOL COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Chicago Pneumatic Tool Company, respectfully prays for a writ of certiorari to the United State Court of Appeals for the Tenth Circuit to review the judgment of that Court entered February 1, 1950 (rehearing denied March 11, 1950), affirming the judgment of the District Court of the United States for the Western District of Oklahoma (Judge VAUGHT).

The transcript of the record in the case including proceedings in the Court of Appeals is furnished herewith in accordance with the rules of the Court.

Summary and Short Statement of the Subject Matter Involved.

1. The Court below affirmed an interlocutory judgment granting an injunction restraining petitioner from further prosecution of Civil Action 1206 instituted by it against respondent in the United States District Court for the District of Delaware, until further order of the Court (R. 62), and denying petitioner's motion to modify said injunction (R. 206). The modification requested was that the words—

> "or any other action involving the same subject matter"

be removed from the injunction (R. 205). The added words have the effect of enjoining petitioner from seeking to reopen an earlier case between the parties (Civil Action 463 in Delaware).

2. There are two companies by the name of Chicago Pneumatic Tool Company. One is a corporation of New Jersey. It is the parent company and is a manufacturer. It will be referred to herein as Pneumatic (N. J.). The other, a Massachusetts corporation, is the petitioner herein and sells products made by its parent (R. 130). It will be referred to herein as Pneumatic (Mass.). Respondent will be referred to herein as Hughes. The Court below used these designations.

3. The parties are both in the business of marketing rock bits used in drilling oil wells. They have been competitors in this business for over twenty years and for most of the time since 1933 have been involved in patent litigation with one another on Hughes' patents (R. 121, 136, 168).

4. In 1935, 1939 and 1942, Hughes charged Chicago Pneumatic with infringement of patents on which it had

not previously sued Chicago Pneumatic. In the summer of 1944 Hughes leased two Type E bits (the latest type) from Chicago Pneumatic in Illinois (R. 27, No. 7; R. 30, Ex. 1). One was leased on July 20th and the other on August 11th.

5. It then became unmistakably clear that Hughes had decided to sue Chicago Pneumatic in the Tenth Circuit for patent infringement. For that purpose the manager of Hughes' Oklahoma City office, on August 22, 1944, attempted to purchase or lease a Chicago Pneumatic Type E bit in Oklahoma City. Upon being informed that delivery would be made in Illinois, he refused to accept such delivery on the ground that he was under instructions from headquarters to purchase the bit in the Tenth Circuit (R. 27, No. 8).

6. Both Chicago Pneumatic companies then, on August 24, 1944, filed in the District Court for the District of Delaware, Hughes' state of incorporation, a suit for declaratory judgment of invalidity of several Hughes patents including the four here in suit and non-infringement thereof by Chicago Pneumatic's Types G, K and E rock bits. That was Civil Action No. 463 (R. 27, No. 7; R. 165, 184-199).

7. Hughes secured a dismissal of that suit on motion for summary judgment by asserting and representing to the Court that there was no controversy between the parties as to those patents (R. 29-30; 61 F. S. 771, D. C. Del.). This was affirmed on appeal on August 26, 1946 and certiorari denied November 18, 1946 (156 F. (2d) 981, C. C. A. 3; cert. den. 329 U. S. 781).

8. On July 19, 1947, promptly after the term of the Supreme Court had expired, Hughes sued Pneumatic (Mass.) in this case for infringement of the same four patents by the same three types of bits in the District Court for the Western District of Oklahoma (R. 1; R. 28, No. 11; R. 30,

No. 15; R. 65, Nos. 5, 6; R. 71, Nos. 2, 5, 6). Judge VAUGHT, before whom the trial was heard since the appeal from his injunction was filed, and the Court below, had previously held three of the patents valid and infringed, *Williams Iron Works* v. *Hughes Tool Co.*, 109 F. (2d) 500, C. C. A. 10 (1940). (On May 18, 1950, he filed an opinion holding all four patents valid on the authority of that and other cases on the same patents. The opinion, implying infringement, adopted the findings proposed by Hughes that the Type E rock bits contain "each of the elements or mechanical equivalents thereof" of each claim in suit of all four patents. A copy of his opinion is printed in the appendix hereto.)

9. Pneumatic (Mass.) then moved for a transfer of this suit to Delaware (R. 19). This was denied by Judge VAUGHT without giving his reasons (R. 35, 91). The primary objection to transfer advanced by Hughes was that the suit could not have been brought in Delaware (R. 55, 59) because Pneumatic (Mass.) does no business in Delaware.

10. Pneumatic (Mass.) then removed this objection by filing a second declaratory judgment suit against Hughes in Delaware on the same four patents (R. 38, No. 6; R. 39). This is Civil Action No. 1206.

11. Hughes then obtained from Judge VAUGHT in this case the injunction appealed from, restraining prosecution of the second declaratory judgment suit, No. 1206, "or any other action involving the same subject matter", until further order of the Court (R. 62).

12. The Court below affirmed Judge VAUGHT on appeal from the injunction (R. 209, 229).

13. The patents involved are the same four patents involved in the case now before this Court on petition for rehearing of denial of writ of certiorari in No. 486, *Robertson Rock Bit Co.* v. *Hughes Tool Co.*

Statement of Jurisdiction.

This Court is believed to have jurisdiction to review the judgment below under the provisions of 28 U. S. C. 1254 and 2101(c). The judgment below was entered February 1, 1950 (R. 216) and rehearing was denied March 11, 1950 (R. 229).

The Questions Presented.

1. May a patent owner restrict litigation on his patents to a circuit in which they have previously been held valid, by procuring the dismissal of a declaratory judgment suit brought against him by petitioner in another circuit on the assertion that there is no controversy, and promptly thereafter filing a patent infringement suit against petitioner on the same patents in the desired circuit?

2. May a defendant in a declaratory judgment patent suit procure a dismissal of the suit on his assertion there is no controversy, and thereafter recover for patent infringement occurring with his knowledge in the period before or during the pendency of the declaratory judgment suit?

3. Where an alleged infringer (petitioner) files a declaratory judgment suit against a patent owner (respondent) in one circuit, respondent procures the dismissal of the suit by asserting that there is no controversy and promptly thereafter files suit against petitioner for infringement of the same patents in another circuit where they had previously been held valid, and petitioner then files a second declaratory judgment suit on the same patents in the first circuit, should the prosecution of the second declaratory judgment suit, or reopening of the first one, be enjoined?

Reasons Relied On for the Allowance of the Writ.

1. The Court below has decided an important question of Federal law which has not been, but should be, settled by this Court.

2. The Court below has rendered a decision in conflict with the decisions of other Circuit Courts of Appeals.

WHEREFORE your petitioner prays that a writ of certiorari issue out of and under the seal of this Court directed to the United States Court of Appeals for the Tenth Circuit; and that this Court review and correct the erroneous decision of that Court.

Respectfully submitted,

FLOYD H. CREWS,
Attorney for Petitioner.

DARBY & DARBY,
HARVEY W. MORTIMER,
RAYMOND G. MULLEE,
Of Counsel.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts Below.

The District Court made no findings of fact and wrote no opinion.

The opinion of the Court of Appeals appears at R. 209 and is reported at 84 U. S. P. Q. 213 and 180 F. (2d) 97.

Statement of Jurisdiction.

This Court is believed to have jurisdiction to review the judgment below under the provisions of 28 U. S. C. 1254 and 2101(c). The judgment below was entered February 1, 1950 (R. 216) and rehearing denied March 11, 1950 (R. 229).

Statement of the Case.

It is believed that the facts are adequately set forth in the petition at pages 2 to 4 herein.

Specification of Errors.

The errors which petitioner will urge if this petition is granted are that the Court of Appeals erred in affirming the judgment of the District Court, and in failing to answer all three questions presented in the negative (see p. 5).

Summary of Argument.

The argument will follow the reasons relied on for allowance of the writ as stated on page 5 hereof and in the index.

POINT I.

The Court below has decided an important question of Federal law which has not been, but should be, settled by this Court.

As long ago as 1892, in the case of *Pope* v. *Gormully*, 144 U. S. 224, this Court said:

> "It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly; * * * "

and as recently as 1947, in the case of *Katzinger* v. *Chicago Metallic Mfg. Co.*, 329 U. S. 394, this Court said at page 400:

> "In thus emphasizing the necessity of protecting our competitive economy by keeping open the way for interested persons to challenge the validity of patents which might be shown to be invalid, the Court was but stating an often expressed policy that 'It is the public interest which is dominant in the patent system', Mercoid Corp. v. Mid-Continent Investment Co., 320 U. S. 661, 665, 88 L. Ed. 376, 380, 64 S. Ct. 268 and that the right to challenge 'is not only a private right to the individual, but it is founded on public policy which is promoted by his making the defense, and contravened by his refusal to make it.' Pope Mfg. v. Gormully, 144 U. S. 224, 36 L. Ed. 414, 418, 12 S. Ct. 632."

The public importance of keeping open the way for a challenge to the validity of patents was also recognized by Congress by permitting an appeal to this Court in every patent case until 1891. In recent years, despite the increasing volume of all litigation, this Court has repeatedly granted certiorari in patent cases where conflict between circuits was unlikely due to concentration of the industry in a single circuit, *Schriber-Schroth* v. *Cleveland Trust Com-*

pany, 305 U. S. 47, 50 (1938). It has even granted certiorari because of the concentration of an industry in the 7th Circuit where the patent in suit had previously been held valid in both the 6th and 7th Circuits. *Outboard Marine & Motor* v. *Muncie Gear Works,* 315 U. S. 759 (1942).

It is therefore clear that sound public policy requires that whenever a way is devised for restricting litigation on a patent to a single circuit, a remedy should be provided to restore the proper distribution of patent litigation.

Under Point II we will show that it is the law of eight circuits, with which the decision below is in conflict, that a declaratory judgment suit should take precedence over a later filed patent infringement suit between the same parties on the same patents and that prosecution of the later suit should be enjoined in order to accomplish this. While this Court has not passed directly on that question in a patent case, so far as we have been able to discover, it has repeatedly denied certiorari in the cases which established that law.

The scheme, sanctioned below, for restricting litigation to a circuit in which the patents had previously been held valid, represents a procedural device previously untried (or at least not previously successful) and therefore one which has not been passed upon by this Court. The Court below, instead of restraining a later filed patent infringement suit, restrained further action in an earlier filed declaratory judgment suit as well as in a later filed renewal of that suit, simply because the patent owner was able to get the first suit dismissed by playing possum.

Unless this scheme is stopped in its inception it may well result in such a restriction of litigation on each patent to a single circuit that this Court may find it necessary to grant certiorari in practically every patent case because of the lack of likelihood of litigation in more than one circuit.

That would increase the work of this Court enormously. Such increase may be avoided by taking action at this stage of this case.

The possibility for a patent owner to restrict litigation to a single circuit has already been increased by the new transfer statute, 28 U. S. C. 1404(a). That statute provides:

> "(a) For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought."

A company may always be set up to hold a patent, whose business is restricted to a single circuit.

Unless the lower courts and particularly the District Courts learn that it is in the "interest of justice" in the promotion of sound public policy for patent litigation upon any one patent not be concentrated in a single Circuit, it may soon be true that no patent once held valid is ever thereafter litigated in a different Circuit.

A glaring example of what can be done to avoid conflict between circuits is provided by this case.

One of the Hughes patents involved in the present suit, namely, Fletcher No. 1,856,627, was first held valid in the Northern District of Texas, Ft. Worth Division, on January 14, 1939 in a case of *Hughes Tool Company* v. *United Machine Company,* 35 F. S. 879. No appeal was taken from that decision.

The patent was next held valid by Judge VAUGHT in the Western District of Oklahoma in the case of *Hughes Tool Company* v. *Williams Iron Works* (District Court opinion unreported), which was affirmed on appeal on January 13, 1940 at 109 F. (2d) 500 (C. C. A. 10).

The patent was next sued upon, and held not infringed in the Northern District of Texas, Abilene Division, on

June 30, 1941 in the case of *Hughes Tool Company* v. *Owen, et al.*, 39 F. S. 656. However, in that case, validity was not challenged. The case was reversed on appeal as to infringement at 123 F. (2d) 950 (C. C. A. 5, 1941), validity not being in issue on the appeal.

The patent was next held valid in the Northern District of Texas, Wichita Falls Division, on November 19, 1948 in the case of *Robertson Rock Bit Co.* v. *Hughes Tool Co.*, at 80 F. S. 809.

The patent was next held valid by Judge VAUGHT in the Western District of Oklahoma in *Hughes Tool Company* v. *Williams*, 82 F. S. 408, February 3, 1949. (The Court of Appeals for the Tenth Circuit has announced through its Clerk that it has decided to hold the patent valid on appeal in that case, although no decision or opinion has yet been filed.)

On appeal in the *Robertson Rock Bit* case the Fletcher patent was **withdrawn rather than risk a decision on its validity by the Fifth Circuit Court of Appeals**, 176 F. (2d) 783, 792 (C. A. 5, September 27, 1949—Judge SIBLEY's dissenting opinion—page 340, Vol. I, of record now before this Court in No. 486).

Despite this withdrawal in the Fifth Circuit Court of Appeals, the patent has been the subject of four more suits (now pending) in Oklahoma as follows, all filed on May 3, 1949:

Hughes Tool Company v. *D. B. Cole*, C. A. 4370, W. D. Okla., 623 O. G. 321;

Hughes Tool Company v. *B. F. Conaghan*, C. A. 4374, W. D. Okla., 623 O. G. 321;

Hughes Tool Company v. *R. W. Ford*, C. A. 2537, E. D. Okla., 623 O. G. 321;

Hughes Tool Company v. *B. F. Shedd*, C. A. 2538, E. D. Okla., 623 O. G. 321.

Thus, while the patent has been sued on ten times in Texas and Oklahoma (including the present suit), and twice in declaratory judgment suits in Delaware (No. 463 and 1206), its validity has never been before any Court of Appeals except that for the Tenth Circuit, in which Circuit Hughes now fights desperately (and thus far successfully) to retain the present suit. By playing possum in the Third Circuit against Chicago Pneumatic, by playing jackrabbit against Robertson Rock Bit in the Fifth Circuit, and by suing in Texas other defendants who conceded validity or failed to appeal, Hughes has successfully sheltered the patent while using it effectively.

This Court should now make it clear that a patent owner who threatens suit and retracts his charge of infringement to secure the dismissal of a declaratory judgment suit, will be held to his retraction. Hughes should be *required* to face the tribunals of the Third Circuit to whom it represented that there was no controversy.

POINT II.

The Court below has rendered a decision in conflict with the decisions of other Circuit Courts of Appeals.

The Seventh and Third Circuit Courts of Appeals in patent cases, and the First and Second Circuit and District of Columbia Courts of Appeals in trade-mark cases, have expressly held that it is the duty of the District Court in which an action is filed to restrain the prosecution of a suit subsequently filed by the defendant against the plaintiff in another jurisdiction on the same subject matter. In the Seventh and Third Circuits, the first filed suit was a declaratory judgment patent suit and the one later filed was a patent infringement suit on the same patents.

Milwaukee Gas Specialty Co. v. *Mercoid Corporation,* 104 F. (2d) 589, C. C. A. 7, April 28, 1939, rehearing denied June 8, 1939;

Crosley Corporation v. *Hazeltine Corporation,* 122 F. (2d) 925, C. C. A. 3, September 11, 1941, rehearing denied October 30, 1941, certiorari denied 315 U. S. 813;

Triangle Conduit & Cable Company v. *National Electric Products Corp.,* 125 F. (2d) 1008, C. C. A. 3, 1942, certiorari denied 316 U. S. 676;

Crosley Corporation v. *Westinghouse Elec. & Mfg. Corp.,* 130 F. (2d) 474, C. C. A. 3, July 31, 1942, certiorari denied 317 U. S. 681;

Cresta Blanca Wine Company, Inc. v. *Eastern Wine Corporation,* 143 F. (2d) 1012, C. C. A. 2, 1944;

Speed Products Co. v. *Tinnerman Products,* 171 F. (2d) 727, C. A. D. C., May 18, 1948.

In deciding the declaratory judgment patent cases, the courts cited and followed earlier cases in the Fourth and Fifth Circuit Courts of Appeals which were not patent cases but involved similar conflicts of venue.

Berliner Gramophone Co. v. *Seaman,* 113 F. 750, C. C. A. 4, 1902; certiorari dismissed 187 U. S. 646;

Georgia Power Co. v. *Tennessee Valley Authority,* 89 F. (2d) 218, C. C. A. 5, 1937; certiorari denied 302 U. S. 692;

The First and Tenth Circuit Courts of Appeals have subsequently cited and followed the declaratory judgment patent cases in similar cases which did not involve patents.

Dwinell-Wright Co. v. *National Fruit Products Company Inc.*, 129 F. (2d) 848, C. C. A. 1, 1942;

Franklin Life Insurance Co. v. *Johnson*, 157 F. (2d) 653, C. C. A. 10, December 20, 1946, rehearing denied October 17, 1946;

The two *Crosley* cases in the Third Circuit are of particular interest here.

These ten cases establish the law of eight circuits, as to which law this Court has repeatedly denied certiorari, that a first filed declaratory judgment patent suit should take precedence over a subsequent patent infringement suit, and that the refusal to enjoin such subsequent suit is an abuse of judicial discretion.

The decision below is in direct conflict with these cases although the conflict is not recognized, and none of the cases is cited, in the Court's opinion. Under those cases it is the present case in Oklahoma the prosecution of which would be enjoined.

At the time the present suit in Oklahoma was instituted by Hughes, Federal Rule 60 provided for relief against judgments on the grounds of newly discovered evidence within six months. The mandate affirming the dismissal of the Delaware declaratory judgment action (No. 463) was returned on November 25, 1946. The six months period during which relief could have been granted in Delaware on account of newly discovered evidence expired May 25, 1947. The present suit would have been conclusive evidence that there was a case of controversy in Delaware, and warranted reopening the Delaware case, had it been filed prior to May 25, 1947 (*Bliss* v. *Cold Metal Process Co.*, 102 F. (2d) 105 (C. C. A. 6, 1939)). The record shows that Hughes postponed bringing the action in Oklahoma which contradicted

its representation that there was no controversy, until the time limit for reopening the Delaware action had expired and the Supreme Court had adjourned. The present suit was filed in Oklahoma July 19, 1947.

Thus by waiting seven weeks (from May 25 to July 19, 1947) to file suit Hughes was able to maintain a suit that would necessarily have been enjoined under all these authorities if filed seven weeks earlier. The controversy did not arise in that seven weeks. This time interval did not change Hughes' rights. Indeed, Hughes *now* asserts, and Judge VAUGHT on May 18, 1950 held (see Appendix) that bits in Hughes' possession in 1944 before the first declaratory judgment suit was filed, infringe its patents—that is, that there *was* a controversy all along. There is therefore a direct conflict with the cases cited above.

It is important that the courts recognize this conflict and follow the earlier cases rather than follow the Court below in sanctioning this procedural machination.

Failure to correct the decision below will result in a nullification or substantial impairment of the declaratory judgment act, particularly in its salutary effect in curbing patent "rackets". As was said in 1940 by the Second Circuit Court of Appeals in the case of *Lances, et al.* v. *Letz*, 115 Fed. (2d) 916, at page 917:

> "We believe it a fair interpretation of the remedial provisions of the declaratory judgment statute, 28 U. S. C. A. § 400, and of Federal Rule of Civil Procedure 57, 28 U. S. C. A. following section 723c, that one cannot so brashly initiate a controversy by such extensive threats of litigation as were here involved and then avoid the risk of judicial adjudication by mere non-action. One of the situations where the declaratory judgment is most helpful is that of patent litigation where a threat of suit for infringe-

> ment has been made and not pressed for the attention of a court. 'This has had a most beneficial effect in curing what had become a racket. For patentees, none too sure of the validity of their patents, had often notified customers or licensees of their rivals or competitors of their intention to bring suit against all who dealt in the product in question.' Borchard, Declaratory Judgments, 9 Brooklyn L. Rev. 1, 30, 1939; cf. Leach v. Ross Heater & Mfg. Co., 2 Cir., 104 F. 2d 88, 91; E. I. Du Pont De Nemours & Co. v. Byrnes, 2 Cir., 101 F. 2d 14; Zenie Bros. v. Miskend, D. C. S. D. N. Y., 10 F. Supp. 779; Mitchell & Weber, Inc. v. Williamsbridge Mills, D. C. S. D. N. Y., 14 F. Supp. 954; 45 Yale L. J. 160, 1935, 1287, 1936."

And at page 918:

> "We think the time has come when this lady must either repudiate her original claims or consent to an adjudication of them."

The decision below is in direct conflict with this case as well as the others cited. The Court below failed to enforce a repudiation.

The Scope of Review.

The primary question this case will present if certiorari is granted is whether the tactics practiced by Hughes should be sanctioned, or whether Hughes should be required to face the tribunals of the Third Circuit, where suit was first filed at a time when Hughes now asserts there *was* a controversy. It has been repeatedly held that on an interlocutory appeal from an injunction the Appellate Court is not limited in the scope of its decision to the limits of the precise question before it, but may consider the case as a whole and decide the real issues present.

In the case of *Mecanno* v. *Wanamaker,* 253 U. S. 136 (1920), the Supreme Court said at pages 140-141:

> "The power of circuit courts of appeals to review preliminary orders granting injunctions arises from § 129, Judicial Code, which has been often considered. Smith v. Vulcan Iron Works, 165 U. S. 518, 41 L. Ed. 810, 17 Sup. Ct. Rep. 407; Mast, F. & Co. v. Stover Mfg. Co., 177 U. S. 485, 494, 44 L. Ed. 856, 860, 20 Sup. Ct. Rep. 708; Harriman v. Northern Securities Co., supra; United States Fidelity & G. Co. v. Bray, 225 U. S. 205, 214, 56 L. Ed. 1055, 1061, 32 Sup. Ct. Rep. 620; Denver v. New York Trust Co., supra. This power is not limited to mere consideration of, and action upon, the order appealed from; but, if insuperable objection to maintaining the bill clearly appears, it may be dismissed and the litigation terminated."

On certiorari this Court may therefore hold that the injunction should be removed, that the case should go back to Delaware, where jurisdiction was first acquired, and that proceedings in, and enforcement of the decision of, this case in Oklahoma should be stayed pending further proceedings in Delaware; and may instruct the lower courts accordingly.

Conclusion.

It is accordingly prayed that the petition for writ of certiorari be granted and the judgment below reviewed and reversed.

Respectfully submitted,

FLOYD H. CREWS,
Attorney for Petitioner.

DARBY & DARBY,
HARVEY W. MORTIMER,
RAYMOND G. MULLEE,
Of Counsel.

June 3, 1950.

APPENDIX.

Judge Vaught's Opinion Following Trial, Filed May 18, 1950.

IN THE

UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF OKLAHOMA

HUGHES TOOL COMPANY, *Plaintiff,* v. CHICAGO PNEUMATIC TOOL COMPANY, *Defendant.*	No. 3685–Civil.

Opinion.

The plaintiff filed its complaint alleging that it is the owner of four patents and that the defendant is infringing them, and seeks to enjoin further infringement of them and to recover damages sustained, together with its costs and reasonable attorneys' fees, and for such other relief as to the court may appear proper.

Specifically it alleges that it is the owner of (1) United States Letters Patent No. 1,856,627 issued on May 3, 1932, for an invention on drill cutters; (2) United States Letters Patent No. 1,983,316 issued on December 4, 1934, for an invention on a three cone bit; (3) United States Letters Patent No. 2,011,084 issued on August 13, 1935, for an invention in mounting for drill cutters; and (4) United States Letters Patent No. 2,030,442 issued on February 11, 1936, for an

invention in a roller bearing bit. It contends that the defendant is infringing each of said letters patent by selling, in this district and elsewhere, rotary drill bits embodying and containing each of the inventions patented in said letters patent, and will continue to do so unless enjoined and restrained by the court, more particularly the rotary drill bits being sold by the defendant embodying and containing Claims 1, 2 and 3 of Patent No. 1,856,627; Claims 1, 2 and 3 of Patent No. 1,983,316; Claims 1, 2 and 3 of Patent No. 2,011,084; and Claims 4, 6, 8, 12, 13, 14 and 15 of Patent No. 2,030,442.

The defendant filed its answer and counterclaim denying the alleged infringement and that the court has jurisdiction of the person of the defendant or the subject matter. It admits the issuance of the letters patent enumerated in the complaint but denies that the plaintiff owns the same. It alleges that the claims are invalid, that the plaintiff has misused the patents, and that the plaintiff is estopped from asserting its claims, setting forth in detail the reasons therefor. It further alleges estoppel by laches.

In its counterclaim and amendment thereto, the defendant alleges that it is the owner of (1) United States Letters Patent No. 1,997,345 issued on April 9, 1935, for an invention in a roller cutter assembly for earth boring drills; (2) United States Letters Patent No. 1,835,523 issued on December 8, 1931, for an invention by Clarence E. Reed in an earth boring drill; (3) United States Letters Patent No. 1,865,706 issued on July 5, 1932, for an invention by Clarence E. Reed in an earth boring drill; (4) United States Letters Patent No. 2,047,110 issued on July 7, 1936, for an invention by Clarence E. Reed in an earth boring apparatus; (5) United States Letters Patent No. 2,058,624 issued on October 27, 1936, for an invention by Clarence E. Reed in a roller cutter drill; and (6) United States Letters Pat-

ent No. 2,065,742 issued on December 29, 1936, for an invention by Clarence E. Reed in a roller cutter spindle and bearing assembly for earth boring drills. It contends that the plaintiff is infringing the letters patent by selling or leasing, in this district and elsewhere, rotary drill bits embodying and containing each of the inventions covered by said six letters patent, more particularly Claims 1, 3 and 6 of Patent No. 1,835,523; Claims 2, 13, 15, 16, 17 and 18 of Patent No. 1,865,702; Claims 35, 36, 37 and 42 of Patent No. 2,047,110; Claims 1, 2, 3, 4, 8, 9, 10, 11 and 12 of Patent No. 2,058,624; and Claims 5 and 7 of Patent No. 2,065,742. It prays for injunctive relief, damages, an accounting of profits, together with costs and reasonable attorneys' fees, and such other relief as to the court may seem just.

The plaintiff filed its reply to defendant's counterclaim denying the infringement alleged therein. It admits the issuance of the six letters patent but denies that defendant owns all of said patents set forth in its counterclaim. It alleges that the claims said to be infringed are invalid, setting forth the reasons therefor.

The record is voluminous. Most of the witnesses were experts in mechanical engineering and the exhibits are plans and drawings, of a technical nature, of devices upon which United States Letters Patent have been issued. It is a difficult task for the lay mind to attempt to comprehend the full import of the testimony of experts in such situations, and particularly, when the experts themselves do not agree. Thus we resort to the common rules for weighing evidence. Consideration must be given the demeanor of the witness on the stand, his manner of testifying, his interest or lack of interest in the outcome of the case, his candor or lack of candor, and if he is an expert, his education and background, his experience or lack of experience in the particular field about which he testifies,

and from all the facts and circumstances, reach a proper conclusion.

The devices under consideration and upon which letters patent have been issued have to do with hard substance drilling bits used in rotary rigs in drilling oil wells.

The plaintiff claims the defendant is infringing four patents: Claims 1, 2 and 3 of No. 1,856,627, the "Fletcher Patent"; Claims 1, 2 and 3 of No. 1,983,316, the "Scott-Garfield Patent"; Claims 1, 2 and 3 of No. 2,011,084, the "Scott Patent"; and Claims 4, 6, 8, 12, 13, 14 and 15 of No. 2,030,442, the "Garfield and Scott Patent". All of these patents have been the subject of litigation in one phase or another, and in some court each patent and the claims involved here have been found to be valid. In Hughes Tool Company v. United Machine Company, et al., 35 F. Supp. 879 (D. C. Tex. 1939), Claims 1, 2 and 3 of No. 1,856,627 and Claims 7 to 15, inclusive of No. 2,030,442, were held valid; in Williams Iron Works Company v. Hughes Tool Company, 109 F. 2d 500 (10 Cir. 1940), Claims 1, 2 and 3 of No. 1,856,627 and Claims 1 to 15, inclusive, of No. 2,030,442, were held valid; in Robertson Rock Bit Company, Inc., et al. v. Hughes Tool Company, 176 F. 2d 783 (5 Cir. 1949), Claims 1, 2 and 3 of No. 1,983,316, Claims 1, 2 and 3 of Patent No. 2,011,084, and Claims 4, 6, 8, 12, 13, 14 and 15 of No. 2,030,442, were held to be valid; and in Hughes Tool Company v. Williams, 82 F. Supp. 408 (D. C. Okl. 1949), Patents No. 1,856,627 and No. 1,983,316 were under attack and were held valid.

The opinions in the cases above cited support the conclusion of this court that all the questions of any importance that are raised by the defendant here as to the validity of these patents have been judicially determined. And while this court is not foreclosed by these decisions, they are at

least very persuasive, and we are constrained to hold that the patents and the claims involved are each and all valid, and that the titles to said patents are vested in the plaintiff.

The defendant contends that the plaintiff is estopped to assert infringement of the patents set up in the complaint, and in its brief and argument of counsel devotes considerable time to that phase of the defense. The Court has given careful and lengthy consideration to the argument of defendant's counsel, together with the portions of the record and the authorities cited, which they contend uphold their theory of this defense. Without going into tedious detail, the court is of the opinion that the defense is wholly without merit. We find nothing misleading or deceptive, upon which the defense of estoppel could be reasonably based. The defendant claims that in its reliance upon the dismissal secured by the plaintiff of a suit between the parties filed in Delaware, in which it asserts the plaintiff "unequivocally renounced any claim of infringement", it expended "over $400,000 expanding its facilities for the manufacture of rock bits". We find nothing in the record that would justify that defense.

Since the trial of this cause, in the two cases of Chicago Pneumatic Tool Company v. Hughes Tool Company, 180 F. 2d 97, 101 (10 Cir.), decided February 1, 1950, the court held adversely to the contentions of the defendant with reference to the misrepresentation and deception claimed by the defendant, upon which it bases its defense of estoppel here. The opinion stated:

> "We find nothing in the record to support a charge of deception or misrepresentation. There may have been a renunciation as to infringements prior to 1944 of bits G and K, but since, in the instant suit, no charge of infringement of those bits is any longer involved, that issue is non-existent."

The defendant contends that the plaintiff is estopped from maintaining any infringement action on the patents set out in its complaint because of "unclean hands" due to the misuse of the patents as alleged in its answer. The court has carefully considered the evidence introduced to support these contentions, and without attempting to go into detail, finds generally that the matters and things complained of do not constitute misuse of the patents of the plaintiff or the defense of "unclean hands" within the purview of the law. One of the contentions of misuse relied upon by the defendant is the system employed by the plaintiff in distributing its rotary bits to the users of such devices covered by the patents. The defendant claims that the leasing of the bits amounts to an outright sale. This is not a new contention in this court, nor in other courts, concerning this phase of the case, and the courts have consistently held that the lease agreement of the plaintiff in the distribution of its bits does not amount to a sale, but is a valid lease agreement. See Hughes Tool Company v. United Machine Company et al., supra (35 F. Supp. 879, D. C. Tex. 1939); Hughes Tool Company v. Owen et al., 123 F. 2d 950 (5 Cir. 1941); Hughes Tool Company v. Robertson Rock Bit Co., Inc., et al., 80 F. Supp. 809 (D. C. Tex. 1948); and Robertson Rock Bit Co., Inc., et al. v. Hughes Tool Company, supra (176 F. 2d 783, 5 Cir. 1949). Neither do we find that the plaintiff is guilty of laches, as contended by the defendant.

As to the counterclaim of the defendant in which it alleges that six of its patents are infringed by the plaintiff. The complaint was filed July 19, 1947; the answer and counterclaim of the defendant was filed January 13, 1948. In the original counterclaim, the defendant alleged infringement of one patent only, Letters Patent No. 1,997,345 issued to Clarence E. Reed, of Wichita, Kansas, on April 9, 1935, for

an invention in a roller cutter assembly for earth boring drills. The amendment to the counterclaim, filed on April 12, 1948, alleged infringement of five additional patents: No. 1,835,523, No. 1,865,706, No. 2,047,110, No. 2,058,624, and No. 2,065,742. It filed an amendment to paragraph 6 of its answer on January 24, 1949 and on May 20, 1949, filed an amendment of the prayer in the pleading.

In the plaintiff's proposed findings of fact and conclusions of law, No. 33 reads as follows:

> "Subsequent to the filing of the complaint herein, the defendant acquired title to Reed patents No. 1,865,706, No. 1,997,345, No. 2,047,110, No. 2,058,624 and No. 2,065,742 for the purpose of asserting them in its counterclaim in this cause."

The defendant, in its memorandum re plaintiff's proposed findings of fact and conclusions of law, agrees that this finding is true. Thus it appears that at the time this cause was filed, the only patent involved here that the defendant claimed to own was No. 1,835,523. Under these circumstances the court is not seriously impressed with the position of the defendant in asserting these claims. However, we have carefully considered the evidence offered in support of the defendant's counterclaim, together with the authorities cited in support thereof. Without going into detail, the court is of the opinion that the evidence does not show infringement by the plaintiff of the six patents enumerated in the counterclaim of the defendant, for the reasons set forth in the findings of fact and conclusions of law filed herewith. It is the opinion of the court that the defendant is not entitled to the relief sought in its counterclaim.

The findings of fact, except No. 35, and the conclusions of law, except No. 7, submitted by the plaintiff are hereby approved and made the findings and conclusions of this court. A form of judgment, consistent with this opinion and the findings of fact and conclusions of law herein approved, may be submitted within thirty days from this date.

EDGAR S. VAUGHT
United States District Judge

Dated this 18th day of May, 1950.

JUL 3 19
CHARLES ELMORE C

IN THE

Supreme Court of the United States

OCTOBER TERM, 1950.

No. 113

CHICAGO PNEUMATIC TOOL COMPANY,
Petitioner,

vs.

HUGHES TOOL COMPANY,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT.

GEORGE I. HAIGHT,
209 South La Salle Street,
Chicago 4, Illinois.
ROBERT F. CAMPBELL,
Gulf Building,
Houston 2, Texas,
Attorneys for Respondent.

The Scheffer Press, Inc.—Financial 6-2694

INDEX.

	PAGE
Opinions Below	1
The Questions Presented	1
Statement of the Case	2
Argument	5
Conclusion	8

IN THE

Supreme Court of the United States

OCTOBER TERM, 1950.

No. 113

CHICAGO PNEUMATIC TOOL COMPANY,

Petitioner,

vs.

HUGHES TOOL COMPANY,

Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT.

Opinions Below.

The District Court filed no opinion, the reasons for the granting of the injunction appearing in the injunction order itself (R. 62-63)*, and in the transcript of the hearing in the District Court (R. 92-96). The opinion of the Court of Appeals for the Tenth Circuit (R. 209-216) is reported at 180 F. (2d) 77 and 84 USPQ 213.

The Questions Presented.

The three questions said to be presented by the Petitioner (p. 5) do not arise from the record, as will more fully appear from the Statement of the Case and Argument herein. In each "question" the Petitioner has incorporated one or more factual assertions, not supported by the record, and rejected by the Court of Appeals.

---

* The following line appears to be omitted from the bottom of page 62 of the Record: "19, 1947 by the filing of a complaint herein charging de-".

The only legal question arising on the record was stated by the Court of Appeals (R. 215):

> "A Federal District Court which first obtains jurisdiction of parties and issues may preserve its jurisdiction by enjoining proceedings involving the same issues and parties, begun thereafter in another Federal District Court."

Statement of the Case.

On July 19, 1947, the complaint herein was filed charging Petitioner with infringement of four patents relating to rock bits used in rotary drilling for oil and gas (R. 1, 4).

On January 13, 1948, the Petitioner answered and filed a counterclaim for patent infringement (R. 5, 16). Among other defenses which the Petitioner then urged be *adjudicated in the present case* was an alleged estoppel said to arise from Respondent's having urged dismissal when a declaratory judgment action was filed by Petitioner and its parent company in 1944 (R. 14-15).

On April 12, 1948, the Petitioner amended its counterclaim to include charges of infringement of five additional patents (R. 17-19).

On October 28, 1948, the Petitioner filed a motion to transfer this case to Delaware, under Title 28 U. S. Code, Sec. 1404(a)*.

The Respondent opposed the motion on the ground that since the present case could not have been filed in Delaware for non-jurisdictional reasons it could not be transferred there, and that since there was no rotary drilling in or near Delaware, and most witnesses would come from the

---

* "For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought."

West or Southwest "the convenience of parties and witnesses" would not be served by a transfer (R. 54-59, 96-108). The motion to transfer was denied on March 18, 1949 (R. 35-36).

On April 16, 1949, after the present case had been set for trial, to commence on June 13, 1949, Petitioner filed a declaratory judgment action in Delaware asking adjudication of the matters already at issue in the present case and asking that prosecution of the present case be enjoined (R. 39).

On May 6, 1949, the District Court entered an order herein enjoining the prosecution of the subsequently filed Delaware suit or any other action involving the same subject matter until termination of the present case (R. 62-63). The present appeal is from this injunction and the failure to modify it (R. 206).

The 1944 Delaware proceedings, upon the basis of which Petitioner urges an estoppel, are not accurately or adequately summarized in the Petition (pp. 2-3). The 1944 complaint appears in the record at pages 166 to 192. Counts 1 and 2 (R. 166-184) sought to have the Delaware court readjudicate a previous decision by the District Court of Oklahoma and the Court of Appeals for the Tenth Circuit and enjoin further proceedings on the accounting. Count 3 (R. 184-192) alleged notices of infringement in 1935 and 1939 with respect to discontinued structures and vaguely alleged an "omnibus charge" of patent infringement in 1942. Count 3 asked for a declaratory judgment that no bits made or sold by Petitioner or its parent corporation since 1934 infringed any patents of Respondent (including the previously adjudicated patent).

The Respondent moved to dismiss each of the three counts of the complaint in the 1944 Delaware case. The first two counts were dismissed on the ground that the

Oklahoma court had first acquired, and still retained, jurisdiction of the subject matter (61 F. Supp. 767, 770-771). The third count was fatally defective in failing to properly allege any charge of infringement against Petitioner's or its parent corporation's then current devices, and in failing to allege any substantial sales except sales to the Government, which could not be adjudicated by the Delaware court but only by the Court of Claims. It was dismissed on these grounds (61 F. Supp. 767, 771-772).

The Petition for Certiorari states as a fact (p. 2) that Petitioner had been charged with patent infringement in 1942. The District Court for the District of Delaware found to the contrary (61 F. Supp. 767, 772).

The Petition for Certiorari further is predicated upon the assertion that in the 1944 Delaware proceedings, the Respondent asserted and represented that there was "no controversy" between the parties (Petition, p. 3). It is to be observed that each of "The Questions Presented" also incorporates an alleged assertion by Respondent that there was "no controversy" (Petition, p. 5). In the 1944 Delaware proceedings, the Respondent, on its motion to dismiss, argued as to the sufficiency of the complaint, and its motion was directed to the failure of that complaint to allege a controversy. There had been no charge of infringement of any then current bit, and the only substantial current sales alleged were to the government, which could not be adjudicated in that case, but only in the Court of Claims.

ARGUMENT.

The brief in support of the petition presents two alleged points. Neither is well taken.

Point I of the brief in support of the petition (pp. 8-12) urges that there is some important question of Federal law which has not been, but should be, settled by this Court. What the important question is does not clearly appear. The argument consists principally of vague, incendiary charges that Respondent has devised some "scheme" to restrict litigation to a single circuit, and reference is made to cases in which there was concentration of an industry in a particular circuit. No problem of concentration of an industry in a single circuit is involved. The brief in support of the petition calls attention to various adjudications of Respondent's patents in both the Fifth and the Tenth Circuits, and the Record shows that rotary drilling is carried on in most circuits—the Third Circuit to which Petitioner now seeks transfer being one of the few circuits in which there is no rotary drilling (R. 99-103).

At pages 10 to 12, the brief for Petitioner calls attention to what is termed "a glaring example of what can be done to avoid conflict between circuits". The "glaring example" is said to consist in Respondent's action in a case in the Fifth Circuit in withdrawing the Fletcher patent No. 1,856,-627 on appeal "rather than risk a decision on its validity by the Fifth Circuit Court of Appeals". As authority for this statement, the Petitioner refers to 176 F. (2d) 783, at p. 792. At that page of the report, the Court of Appeals for the Fifth Circuit pointed out that pending that appeal, the Fletcher patent had expired, and it was dropped in oral argument "since there was no award of damages for in-

fringement". The patent was not withdrawn from that case and it was argued in the briefs. The patent expired before oral argument, and the issues as to that patent then being moot so far as that case was concerned, counsel for Respondent did not discuss it in oral argument. The original opinion of the Court of Appeals for the Fifth Circuit (82 U.S.P.Q. 339) affirmed the trial court, but after Petition for Rehearing, the order was modified to expressly state that the issues as to the Fletcher patent having become moot, the judgment would be reversed as to that patent.

The Petitioner concludes its first point by urging that this Court should declare that one who threatens suit and retracts his charge of infringement to secure dismissal of a declaratory judgment suit, will be held to his retraction. As pointed out above, there was no charge of infringement as to the devices Petitioner or its parent was making and selling to the Government in 1944, and there was no retraction. In the 1944 Delaware case, Respondent merely urged that the complaint by Petitioner and its parent did not state a cause of action. The District Court and the Court of Appeals for the Third Circuit agreed (61 F. Supp. 767 (D.C. Del., 1945), affirmed 156 F. (2d) 981 (C.C.A. 3, 1946)). Moreover, the Court below has not ruled that if there is a retraction of a charge of infringement, the patent owner should not be held to it. The effect of the decision below is to hold that the matter should properly be tried in the present case where Petitioner first raised the issue and asked for an adjudication with respect to it.

The second point of the Petitioner (Brief, pp. 12-16) is that the decision below conflicts with repeated adjudications in various circuits that a first filed suit should take precedence over a subsequent suit on the same issues. Petitioner states (p. 14):

> "The decision below is in direct conflict with these cases although the conflict is not recognized, and none of the cases is cited in the Court's opinion."

The Petitioner errs. The Court of Appeals (R. 215) stated the legal principle which it applied in the following language:

> "A Federal District Court which first obtains jurisdiction of parties and issues, may preserve its jurisdiction by enjoining proceedings involving the same issues and parties, begun thereafter in another Federal District Court."

Among the cases cited by the Court of Appeals are two of those relied upon by Petitioner. It thus appears that the Court below recognized and applied the rule established by the very cases with which Petitioner alleges a conflict.

Petitioner now contends that there is a dispute about, and conflict of decisions on, a rule of law; but in the District Court, Petitioner's counsel expressly agreed with the legal rule urged by Respondent (and applied by the Court) and stated the issue to be merely the **application** of the rule to the particular facts of this case (R. 93).

The complaint filed in 1944 by Petitioner and its parent corporation was dismissed. It did not state a cause of action which the Delaware Court would adjudicate. That Court properly declined to take jurisdiction to declare rights as to structures being sold by Petitioner's parent corporation to the Government, which structures had never been charged by Respondent to infringe. After that suit had terminated, the Respondent in 1947 filed the present suit charging infringement by Petitioner's sales to private parties. Petitioner answered in January, 1948, alleging that Respondent's arguments as to Petitioner's parent corporation's sales to the Government constituted a bar to the action against Petitioner for its sales to others. Petitioner asked the Oklahoma Court to decide this question. Then in April, 1949, after the present case was set for trial,

Petitioner filed a new suit in Delaware raising the same issues as the present case, *i.e.*, Petitioner's right to sell to private parties. Petitioner was properly enjoined from prosecuting that case or any other involving the issues of the present case.

The Petitioner argues (pp. 14-16) that the fact that in 1947 the present suit was filed shows that there was a "controversy" between the parties in 1944. This does not follow. Moreover, the question at issue in the 1944 Delaware case was whether a justiciable controversy was alleged. Even if Petitioner were correct in stating that in 1944 there was, in fact, a "controversy" within the requirements of the declaratory judgment act (and Petitioner errs in this), the Petitioner and its parent corporation drew the complaint and would be chargeable with its adjudicated insufficiency. The action of Respondent in moving to dismiss because of the insufficient complaint was proper.

CONCLUSION.

As stated by Petitioner's counsel to the District Court, there is no dispute as to the law. The issues are merely as to the applicability to the particular facts.

No conflict of decision appears. The Court of Appeals applied the very line of cases to which Petitioner refers in urging a conflict.

It is submitted that the Petition for Writ of Certiorari should be denied.

Respectfully submitted,

GEORGE I. HAIGHT,
209 South La Salle Street,
Chicago 4, Illinois.

ROBERT F. CAMPBELL,
Gulf Building,
Houston 2, Texas,
Attorneys for Respondent.

AUG 4 195
CHARLES ELMORE CR

IN THE

Supreme Court of the United States

October Term, 1950

No. 113

CHICAGO PNEUMATIC TOOL COMPANY,
Petitioner,

vs.

HUGHES TOOL COMPANY,
Respondent.

REPLY BRIEF FOR PETITIONER IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT.

FLOYD H. CREWS,
405 Lexington Avenue,
New York 17, New York,
Counsel for Petitioner.

DARBY & DARBY,
HARVEY W. MORTIMER,
405 Lexington Avenue,
New York 17, New York,

RAYMOND G. MULLEE,
8 East 44th Street,
New York 17, New York,
Of Counsel.

IN THE

Supreme Court of the United States

October Term, 1950

No. 113

CHICAGO PNEUMATIC TOOL COMPANY,
Petitioner,

vs.

HUGHES TOOL COMPANY,
Respondent.

REPLY BRIEF FOR PETITIONER IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT.

The Facts.

Hughes refers in its Statement of the Case to Counts 1 and 2 of the first Delaware complaint, No. 463. Those counts have nothing whatever to do with the present action.

Hughes challenges the accuracy of our statement with respect to the 1944 Delaware proceedings (No. 463) that Judge LEAHY dismissed that action on Hughes' representation that there was no controversy between the parties. Hughes asserts repeatedly in its brief that count 3 was defective in failing properly to allege any charge of infringement and that its motion to "dismiss" (actually a motion for summary judgment because supported by affidavit) was

directed to the failure of that complaint to allege a controversy.

Judge LEAHY expressly stated the contrary. In his opinion, 61 Fed. Supp. 767, he said in footnote 16 at page 771:

> "For the purpose of this case, then, the objections to the pleadings in all three counts are rejected."

and in the last paragraph of his opinion, on page 772, he said:

> "Aside from the portions pertaining to pleading deficiencies, defendant's motion challenging plaintiff's right to maintain the present action should be granted."

The first Delaware complaint (No. 463) therefore was expressly held by Judge LEAHY to contain no deficiency in pleading the existence of a controversy in count 3.

The Tenth Circuit Court of Appeals wrote an opinion in which it made the error of fact which Hughes repeats. This entire case was presented on written documents without oral testimony, so this Court may consider the actual facts even though this error was made by the Court below. The District Judge wrote no opinion and made no findings of fact (despite Rule 52(a) F. R. C. P.).

That Judge LEAHY's decision granting summary judgment was based upon extraneous facts introduced by affidavit also appears clearly from his repeated mention of facts which were not in the pleadings.

For example, the complaint in the 1944 Delaware case (No. 463) unequivocally alleged that there was an "omnibus charge" of infringement in 1942 (R. 189, Par. 45). Judge LEAHY found at page 772 that that charge was made in a letter written by Hughes' attorney in connection with

litigation, which he termed "lawyers' chess". The complaint did not mention such a letter or state any circumstances surrounding the charge. Those were introduced into the case by affidavit in support of Hughes' motion for summary judgment. Obviously, Judge LEAHY took cognizance of such extraneous facts, and did not dismiss count 3 on the pleadings.

Indeed, Hughes did not even make a motion in the 1944 Delaware case (No. 463) to dismiss count 3 for failure to state a cause of action under the patent laws, the only cause of action for which relief was asked in count 3. This is shown conclusively by the motion itself, the pertinent portion of which is reproduced in the Appendix hereto.

This case does not depend upon an examination of detailed facts. The facts are straightforward and simple and the salient facts are these:

1. In 1933, before the advent of the Type G bit, Hughes sued Pneumatic (Mass.) for infringement of patent No. 1,647,753 (R. 136, 168). This litigation was terminated by a settlement in 1946 during accounting proceedings (R. 136) after the patent had been held valid and infringed by Judge VAUGHT in an unreported opinion affirmed by the Tenth Circuit Court of Appeals at 97 F. (2d) 945 on July 1, 1938.

2. In April, 1935, when the Type G bit was being made, Hughes notified Chicago Pneumatic of infringement of patents 1,983,283 and 1,983,316 (R. 27, No. 5).

3. In January, 1939, when the Type K bit was being made and Types G and K were being marketed, Hughes notified Chicago Pneumatic of infringement of patents 1,856,627 and 1,983,316 (R. 27, No. 6).

4. In the latter part of 1942, when the Type K bit was being made, Hughes made an omnibus charge of infringe-

ment against Chicago Pneumatic (which Judge LEAHY called "lawyer's chess"), without specifying any particular patents (R. 189; 61 F. Supp. 771, Footnote 14).

5. On July 20, 1944, while the Type K bit was still the principal bit being marketed to private industry (R. 25-26, No. 4), Type E bits were available to the public, and Hughes leased one Type E bit from Pneumatic (N. J.) at Clay City, Illinois; and on August 11, 1944 Hughes leased another Type E bit from Chicago (N. J.) in Clay City, Illinois (R. 27, No. 7; R. 30, Ex. 1).

6. On August 22, 1944, the local manager of the Oklahoma City office of Hughes attempted to purchase a third Type E bit from Chicago Pneumatic in Oklahoma City, Oklahoma; on being told that arrangements could be made for delivery in Clay City, Illinois but not in Oklahoma or Kansas, he rejected the proposal with the explanation that he (Hughes' local manager) was under instructions from Hughes' Houston office to procure the bit from Chicago Pneumatic in the Tenth Circuit (R. 27, No. 8).

7. On August 24, 1944 both Chicago Pneumatic companies filed the first Delaware action against Hughes No. 463, asking for declaratory judgment of invalidity of the following four patents:

Fletcher	No. 1,856,627
Scott & Garfield	No. 1,983,316
Scott	No. 2,011,084
Garfield & Scott	No. 2,030,442

or any other patent owned by Hughes which might be asserted against Chicago Pneumatic's bits, and non-infringement thereof by Chicago Pneumatic's Types G, K and E bits (R. 27, No. 9; R. 165, Ex. 8; R. 193, 195, 197).

8. Hughes moved to dismiss that suit, No. 463, on the ground that there was no existing controversy between the parties. Judge LEAHY granted that motion, expressly refusing to dismiss on the pleadings (pp. 2-3 above), and expressly holding that there was no controversy in fact, although expressly recognizing that a controversy had been alleged in the pleadings. He said at the top of page 772:

> "The substantive question raised by count 3 (now that the Anti-Trust Laws issue has been abandoned) is whether the count should be dismissed for failure of an actual controversy between the parties, for the statute is available only in those cases involving an actual controversy. Coffman v. Breeze Corporation, 323 U. S. 316, 324, 65 S. Ct. 298, and cases cited."

9. The renunciation of a controversy by Hughes was unequivocal. It was expressed in Hughes' brief before Judge LEAHY in the following words (R. 29):

> "This, at the very most shows that there was once a controversy which, but for plaintiff's present attempted resurrection, would have remained dead and buried."

10. After Judge LEAHY was affirmed on August 26, 1946 (156 F. (2d) 981), and certiorari denied November 18, 1946 (329 U. S. 781), and the term of this Court had expired, Hughes, on July 19, 1947, filed the present action charging infringement of the same four patents listed above in No. 7 (R. 1).

11. On November 3, 1947 Hughes answered interrogatories in the present suit and stated that the devices accused of infringement are Chicago Pneumatic's Types G, K and E bits (R. 71, No. 2).

Thus, there was admittedly a controversy in 1935 when the Type G bit was charged with infringement. There was

admittedly a controversy in 1939 when the Types G and K bits were charged with infringement. There was admittedly a controversy in 1942 ("lawyer's chess" at least) when the Types G, K and E bits were charged with infringement. There was admittedly a controversy in 1947 when suit was filed in Oklahoma charging infringement of the Types G, K and E bits.

If there was no controversy in 1944 it was only because the controversy was ended by Hughes' renunciation. Hughes' unequivocal renunciation in 1944 was obviously designed to avoid a test of its patents outside the Tenth Circuit, and with the intent of suing in the Tenth Circuit as soon as possible.

Hughes' brief in opposition to this petition professes ignorance as to the scheme which Hughes devised to circumvent the letter and spirit of the Declaratory Judgment Act and the decisions of the courts. The scheme enabled Hughes to have a declaratory judgment suit dismissed on the assertion that no actual controversy existed (R. 29) and then to bring a later suit to determine exactly the same issues while asserting that an actual controversy had in fact existed in the period before and during the pendency of the declaratory judgment suit (R. 71, No. 2). The obvious inconsistency of Hughes' assertions condemns the scheme.

* * * * * *

Hughes asserts in its brief that validity and infringement of patents involved in sales to the Government could not have been adjudicated in the first Delaware case (No. 463). Of course that case did not depend on sales to the Government, but Hughes is apparently wrong on the law. In *Western Electric Co.* v. *Hammond,* 135 F. (2d) 283 (C. C. A. 1, 1943) the Court permitted an alleged patent infringer (Western Electric) to maintain a declaratory judg-

ment suit to determine whether its sales to the Government were made under license from the patent owner despite the fact that suit for infringement could not be maintained against it, and suit for patent infringement had already been filed by Hammond in the Court of Claims. The reason, as stated on page 289, was that such a suit would remove a cloud on Western Electric's right to manufacture apparatus for the United States without risk to the Government.

The *Western Electric* case was cited and discussed with approval by the Court of Appeals for the Third Circuit in *Aralac, Inc.* v. *Hat Corporation of America,* 166 F. (2d) 286 (1948).

The Fletcher Patent 1,856,627.

The Fletcher patent involved in this suit is the one which was withdrawn in the *Robertson Rock Bit* case before the Fifth Circuit Court of Appeals. That patent is the subject of litigation in the Tenth Circuit in at least six other cases now pending, all of which are cited in our main brief.

The present case involves the same four patents which were involved in the *Robertson Rock Bit* case, which case is now awaiting decision of this Court in the case of *Robertson Rock Bit Company, Inc.* v. *Hughes Tool Company,* October Term, 1949, No. 486, on petition for rehearing of denial of certiorari. Two of the four patents, including Fletcher 1,856,627, are now before the Tenth Circuit Court of Appeals in the case of *Williams* v. *Hughes Tool Company,* on appeal from the decision of Judge VAUGHT (W. D., Okla.) at 82 F. Supp. 408, in which the Government has filed a brief as *amicus curiae* on behalf of *C. F. Williams,* charging Hughes with misuse of patents. The Court has

announced through its Clerk that it has decided to hold them valid but not infringed by a "retipper", but has referred the case to all five judges on the issue of whether retipping was proper under Hughes' "lease" arrangements.

Respectfully submitted,

FLOYD H. CREWS,
Counsel for Petitioner.

DARBY & DARBY,
HARVEY W. MORTIMER,
RAYMOND G. MULLEE,
Of Counsel.

New York, N. Y.,
August 3, 1950.

APPENDIX

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1950

No. 113

CHICAGO PNEUMATIC TOOL COMPANY,
Petitioner,

vs.

HUGHES TOOL COMPANY,
Respondent.

Affidavit of Raymond G. Mullee.

STATE OF NEW YORK,
COUNTY OF NEW YORK, } ss.:

RAYMOND G. MULLEE, being first duly sworn, deposes and says:

I am an attorney at law, admitted to practice in the highest Court of the State of New York, with an office at 8 E. 44th Street, New York 17, N. Y., and am of counsel for petitioner in this proceeding.

I was of counsel for the plaintiffs in the case of *Chicago Pneumatic Tool Company, a corporation of New Jersey* and *Chicago Pneumatic Tool Company, a corporation of Massachusetts,* plaintiffs vs. *Hughes Tool Company,* de-

fendant, in the District Court of the United States for the District of Delaware, Civil Action No. 463.

The complaint in said Civil Action No. 463 contained three counts, the first two of which were dropped on appeal in that case.

In said Civil Action No. 463 a motion was filed by Hughes Tool Company of which only the latter part related to count 3 of the complaint in that action. That portion of said motion relating to said count 3 is correctly reproduced on the following pages. Paragraph 3 of said motion refers to the Anti-Trust laws. The only mention of the Anti-Trust laws in count 3 was in paragraph 34 (R. 184) alleging jurisdiction. No relief under the Anti-Trust laws was asked in count 3 (R. 191-2).

RAYMOND G. MULLEE

Sworn to and subscribed before me this 3rd day of August, 1950.

EILEEN LAMERSON
Notary Public

(NOTARY'S SEAL)

IN THE

DISTRICT COURT OF THE UNITED STATES

FOR THE DISTRICT OF DELAWARE

CHICAGO PNEUMATIC TOOL COMPANY, a corporation of New Jersey, and CHICAGO PNEUMATIC TOOL COMPANY, a corporation of Massachusetts, *Plaintiffs,* *vs.* HUGHES TOOL COMPANY, *Defendant.*	CIVIL ACTION No. 463

Motion of Defendant to Strike, to Dismiss and for Summary Judgment.

* * * * * * * * * *

In respect to Count Three of the complaint, the defendant makes the motions following:

1. To strike the same because of its failure to apply with Rule 8(e) of the Federal Rules of Civil Procedure in that the said Count is not simple, concise and direct, as provided under Paragraph 1 of Rule 8(e).

2. To strike the same (and particularly Paragraphs 44 and 45 thereof) because redundant, immaterial, impertinent and scandalous. This motion is grounded upon Rule 12(f) of the Federal Rules of Civil Procedure.

3. To dismiss the same under Rule 12(b) of the Federal Rules of Civil Procedure because it fails to state a claim under the Anti-Trust Laws, Title 15 U. S. C., Sections 2, 15 and 26, or, in the alternative, to strike all references to said Anti-Trust Laws from said Count.

4. To dismiss because there is no actual controversy of a substantial character, as required by the Declaratory Judgment Act (28 U. S. C. 400).

5. To dismiss because the said complaint is not filed in good faith and is brought by plaintiffs with unclean hands.

6. To dismiss because under its discretionary power the Court should not entertain it.

In respect to the foregoing motions to dismiss, the defendant will refer to the record, the opinions and briefs in said suit of *Hughes Tool Company* v. *Chicago Pneumatic Tool Company,* and to the affidavit of Jesse R. Stone, which is filed herewith.

ROBERT F. CAMPBELL
/s/ Robert F. Campbell

GEORGE I. HAIGHT
/s/ George I. Haight

ARTHUR G. CONNOLLY
/s/ Arthur G. Connolly

Attorneys for Defendant
4028 duPont Building
Wilmington 41, Delaware